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CENTRAL
INTELLIGENCE
BULLETIN



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14 October 1961

CENTRAL INTELLIGENCE BULLETIN

CONTENTS

25X1

- 2. Communist China: Chief of Staff Lo Jui-ching reaffirms China's determination to become nuclear power. (*Page i*)
- 3. Syria: New regime approaches West Germany for \$25,000,000 loan. (*Page ii*)
- 4. Mali: 15 Soviet military personnel reportedly now stationed in Mali. Bloc military aid continues. (*Page ii*)
- 5. Great Britain: EEC countries react favorably to Britain's presentation of its terms for entry into Common Market. (*Page iii*)
- 6. Brazil: Propaganda campaign to prepare for Quadros' return to active political role gathering momentum. (*Page iii*)
- 7. Colombia: State of siege decreed on 11 October intended to counter growing subversive agitation. (*Page iv*)

25X1

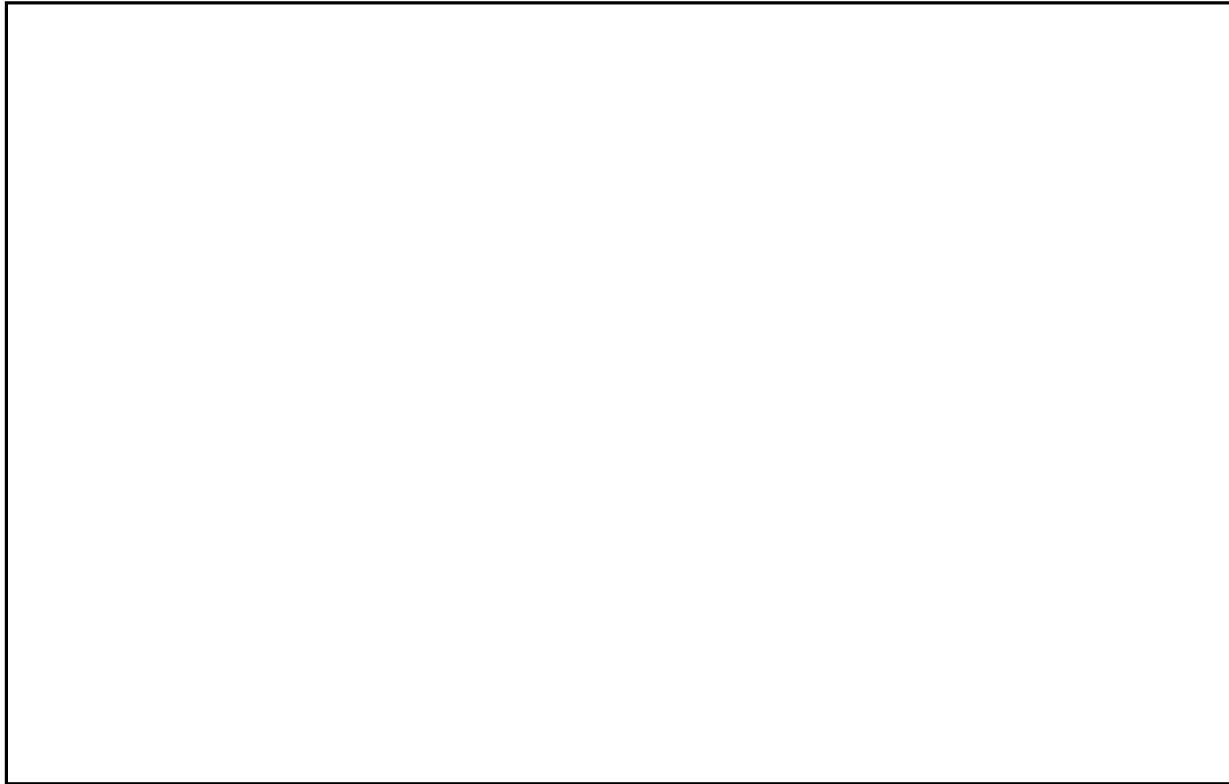
25X1

CENTRAL INTELLIGENCE BULLETIN

14 October 1961

DAILY BRIEF

25X1

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Communist China: [Chinese Chief of Staff Lo Jui-ching has reaffirmed China's determination to become a nuclear power. Speaking in late September]

25X1

[Lo repeated several times that China "will not be cheated" by a test ban aimed at preventing the emergence of new nuclear powers. He admitted that Peiping does not have nuclear weapons at present but declared that China, like France, will conduct tests "as necessary,"]

110

25X1

25X1

i



25X1

since an army without nuclear weapons cannot be considered modern.

China's determination to become a nuclear power has met with Soviet reluctance to help China achieve this status, and the issue has been a point of friction between Peiping and Moscow. In contrast to the Soviet line that the spread of nuclear weapons will increase the danger of war, Communist China's foreign minister maintained in a recent press interview that the danger of war would lessen as more countries obtained nuclear weapons.

25X1

(Backup, Page 1)

25X1

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Syria: The former governor of Syria's central bank, Izzat Tarabulsi, who is chairman of a special government committee considering Syrian economic affairs, has approached a West German commercial attaché for a \$25,000,000 two-year loan to cover short-term Syrian obligations. Tarabulsi said the loan was urgently needed to permit convertibility of Syrian currency and thus to encourage confidence in the economy; the new regime has announced its hope of attracting foreign private investment capital. President of the Executive Council Kuzbari last week asked for quick supply of PL-480 grain from the United States. The Syrian Government will probably also seek longer range loans to compensate for the loss of economic development funds Egypt was to have supplied.

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Mali-USSR: According to the French military attaché in Bamako, 15 Soviet military personnel now are stationed in Mali. Most of the members of this military mission apparently are operating at Malian Army headquarters in Bamako, although some are said to be supervising construction of an "antitank range" outside Bamako at one of four military installations recently evacuated by France. The attaché also reported that the intelligence chief of the Malian Army is scheduled to leave shortly for a three-year training tour at the USSR military academy. Mali has in recent months continued to receive from

14 Oct 61

DAILY BRIEF

ii

25X1

the bloc via Guinea small arms and other military equipment, including trucks, jeeps, armored personnel carriers, anti-tank and antiaircraft guns, and 120-mm. mortars. [redacted]

25X1

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[redacted] Britain - Common Market: Ambassador Butterworth has obtained in strict confidence the full text of Lord Privy Seal Heath's 10 October secret presentation to the Common Market (EEC) in which he set forth Britain's terms for joining the EEC. In addition to declaring Britain's desire to become a "full, wholehearted, and active member of the European community," Heath said the UK would accept the "structure" of the EEC's common external tariff and, upon entry, would make in a single operation the same tariff adjustments which the present members will have made by that date. He reiterated, however, Britain's insistence on special arrangements to protect Britain's agriculture and the commercial interests of the other Commonwealth and Outer-Seven countries.

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[redacted] Butterworth considers the statement a skillfully drafted attempt to lay at rest persisting doubts in the EEC regarding London's intentions. The initial reaction from the EEC was highly favorable. However, the French were quick to point out that the problems "remain posed, but not solved." [redacted]

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(Backup, Page 2)

Brazil: A propaganda campaign to prepare for ex-President Quadros' return to an active role in Brazilian politics continues to gather momentum. This campaign was initiated at least in part by Quadros' personal secretary. The American Embassy in Rio de Janeiro notes that the hostility generated by Quadros' sudden resignation is tending to disappear and that pro-Quadros sentiments now are being expressed openly though not widely. Quadros may try to begin his comeback by campaigning for election as governor in his home state of Sao Paulo or for election to the Brazilian Chamber of Deputies. Both elections are scheduled for October 1962. [redacted]

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14 Oct 61

DAILY BRIEF

iii

25X1

Colombia: President Lleras' speech explaining the nationwide state of siege decreed on 11 October clearly reflects concern that various elements, including the Communists, leftist dissidents from Lleras' own Liberal Party, and supporters of former dictator Rojas Pinilla, might develop sufficient momentum and coordination to threaten the regime. The US Embassy in Bogota comments that recent agitation against the regime, as well as the increase in rural violence over the past year, has caused growing apprehension among some Colombians that the electoral process may not provide a solution to the country's problems.

25X1
25X1

14 Oct 61

DAILY BRIEF

iv

25X1

25X1

WATCH COMMITTEE CONCLUSIONS

[In yesterday's Central Intelligence Bulletin, the conclusion bearing on South Vietnam was omitted. The conclusion is as follows:]

South Vietnam: [Communist forces continue efforts to expand their areas of control in South Vietnam. Further Viet Cong attacks on an increasing scale can be expected.]

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25X1

14 Oct 61

DAILY BRIEF

v

25X1

Peiping Reaffirms Determination to Become a Nuclear Power

[Lo's remarks amplify a number of positions implicitly stated in Chinese Communist propaganda. To the standard Chinese line that Peiping would not be bound by any agreement to which it was not a participant, Lo added that the Chinese would feel bound only if all nuclear powers agreed to end testing and guaranteed destruction of existing stockpiles. This type of agreement seemed improbable to Lo, since it would be difficult to guarantee the destruction of existing weapons.]

[Since 1950 the Chinese have made steady progress in building the foundation of an atomic energy program, and there is evidence that they are engaged in developing a native nuclear weapons capability. It is estimated that the earliest date the Chinese could detonate a nuclear device is sometime in 1963 or 1964, and that at least two years would probably be required after the explosion of such a device for China to produce a small number of elementary weapons.]

[These dates could be materially advanced if the Soviets furnished aid in fissionable materials, designs, and fabrication. Even prior to 1960 the Soviets seemed to be holding their aid to a deliberate pace in order to postpone the attainment of a Chinese nuclear capability as long as possible. The withdrawal of most Soviet technicians in mid-1960 further impeded Chinese progress in nuclear development.]

[Continuing Sino-Soviet differences over the expansion of the circle of nuclear powers were implied by the Soviet memorandum of 1 October to the United Nations on measures to ease international tensions. One of the Soviet proposals is for agreement "against a further spread of nuclear weapons." Under the Soviet scheme, nuclear powers would pledge not to make nuclear weapons available to other countries, and non-nuclear powers "would undertake not to manufacture these weapons or buy them from nuclear powers." Although West Germany is cited as the main danger, the over-all effect of the Soviet proposal would be to keep China from becoming a nuclear power.]

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UK-EEC Talks

[In its effort to present Britain's case in the best possible light, the Macmillan government appears to have gone considerably further than before in accepting both the specific terms and the spirit of the EEC treaty, which may require painful adjustments by Britain. Heath's offer to match the EEC's tariff cuts, for example, would require sizable revisions by Britain, since by the end of this year the EEC countries will have reduced their tariffs as they pertain to each other by 40 to 50 percent.]

[While Heath's approach now seems likely to get the formal negotiations on Britain's application off to a good start in Brussels on 8 November, agreement will probably not be easy. For example, Heath suggested that the EEC and UK jointly examine past EEC decisions regarding such noncommercial matters as social security, antcartel measures, and liberalization of capital movements so as to decide "how far" they should apply to Britain; this contrasts with the standard EEC assertion that any applicant must accept all decisions already taken pursuant to the treaty. Moreover, concerning the problem of blending Britain's farm income support system with the Continental system of farm price supports, Heath asked for a 12-15 year transitional period and seemed to imply that the EEC's common agricultural policy--which the present members have decided at least in principle--is still open to revision.]

[The major negotiating difficulties are likely to center on the problems of the other Outer Seven and of the Commonwealth countries. Heath said he would like to see certain of the less-developed Commonwealth countries and dependent overseas territories directly associated with the Common Market. However, some of these areas have recently seemed hostile to the EEC. Furthermore, the EEC is now in the process of revising its African-association policies, and extension of the area of]

association may mean major difficulties for less-developed countries elsewhere--e.g., in Latin America.

London apparently believes that the problems of the other Commonwealth countries will be eased if EEC tariffs are kept low, but Heath emphasized the need for transitional measures, and in particular for continued access to the UK market by the agricultural producers of Canada, New Zealand, and Australia. This will conflict not only with French hopes for expanded outlets for its own farm surpluses but also with the interests of all other exporters of farm produce.

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Former Brazilian President May Seek Political Comeback

Quadros' choice between running for the governorship of Sao Paulo or a seat in the Chamber of Deputies will be influenced by whether the constitutional amendment of 2 September, providing for a parliamentary system for the central government, remains in effect. If the prime minister has greater power than the president, Quadros is likely to seek election as deputy--the best position from which to make a bid for the prime ministry. All seats in the Chamber of Deputies as well as two thirds of the Senate seats are at stake in next October's elections.

Should repeal of the constitutional amendment seem likely, however, Quadros would probably seek the governorship of Sao Paulo, the most powerful Brazilian state. The amendment also impairs the attractiveness of governorships, since it provides for extension of the parliamentary system to the states after the incumbent governors' terms expire.

Failure of the Goulart-Neves government to take decisive action in the economic and social fields would enhance Quadros' chances for a political comeback. A law signed by President Goulart on 6 October providing for a 40-percent increase in the minimum wage is likely to increase inflation--one of Brazil's principal problems in recent years.

The political strength of the government has recently been strengthened by the inclusion in the cabinet of Alfredo Nasser of the Social Progressive party. Nasser's appointment was approved by the Chamber of Deputies by a vote of 166 to 2 on 12 October. The Social Progressive party, based largely in Sao Paulo, was not previously included in the government and had been considered one of the most important potential opposition groups. [redacted]

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